

Markets Rise A Bit On Positive Jobs Data

CHUCK DANEHOWER

RIPLEY, TENN.

Corn, soybean, and cotton prices are up while wheat prices are down for the week. The September U.S. Dollar Index before the close was 82.46 down 0.31 for the week. The Dow Jones Industrial Average before the close was 13,113, up 37 points since last Friday. Crude Oil before the close was 91.40 a barrel, up 1.27 a barrel for the week. Today's markets are up somewhat on positive jobs data and the market's interpretation that additional aid may come to the euro zone. Non-farm payroll increased by 163,000; about 63,000 greater than expected. The unemployment rate ticked up 0.1 percent to 8.3 percent which kept alive the possibility that the Federal Reserve could provide additional stimulus to the economy. The Market will closely be watching the August 10 USDA reports and since the market will be trading as the reports are released, look for volatile action until at least the reports are fully digested. This report will include survey based yields. Most of the reduced yield data for corn and soybeans is in play in the markets, but the demand or usage reduction are the unknowns along with whether prices have gotten high enough to ration usage.

Corn:

Current Crop: September closed at \$8.10 a bushel, up 11 ½ cents a bushel for the week. Technical indicators have a strong buy bias. Support is at \$7.74 a bushel with resistance at \$8.35 a bushel. Weekly exports were at the high end of expectations with net sales of 7.9 million bushels (net sales of 7 million bushels for the 2011/12 marketing year and net sales of 905,000 bushels for the 2012/13 marketing year). On the daily reporting system of large sales, a sale of 59.6 million bushels to Mexico for 2012/13 and 2013/14 was reported. This will show up in next week's weekly export report and is essentially for corn in the \$6 range. While exports were better this week, sales have slowed down due to higher prices and we should see exports reduced in the August 10 USDA report. Corn condition ratings this week were 24 percent rated good to excellent as compared to 26 percent last week and 62 percent a year ago. This was about expected. Poor to very poor were at 48 percent compared to 45 percent last week and 14 percent last year. Corn in the dough stage is estimated at 37 percent this week as compared to 22 percent last week and 15 percent last year and the five year average of 17 percent. Corn dented nationwide is 13 percent compared to 6 percent last week, 3 percent last year and the five year average of 3 percent. Some harvested acreage is being reported in areas like Tennessee where it is unheard of to have shelled corn in late July. A slight rebound in ethanol production has been seen with the latest production numbers reported at 809,000 barrels per day, up 13,000 barrels from the previous week. More production estimates have been releases in advance of next week's USDA report. A Farm Futures estimate based on producer surveys and crop condition ratings pegs production at 9.86 billion bushels on harvested acreage of 84 million acres and yields of 117.6 bushels per acre. Surveyed yields came in at 114 bushels per acre but were adjusted based on crop condition ratings. The July USDA report at that time projected production of 12.79 billion bushels or 2.9 billion bushels. Other private estimates range from 10.338 billion bushels to 11 billion bushels on yields of 120.7 bushels per acre to 124.3 bushels per acre. The big question in the August 10 USDA report is how much demand destruction in exports, corn for ethanol, and livestock feed has occurred from our current prices levels? Those numbers will also be adjusted downward next week. I am currently priced at 50 percent of anticipated production, and 30 percent with Put Options. Prices will be volatile as we enter harvest and impossible to predict when a top has been put in. Producers with un-contracted corn will want to consider scaling in sales in this market up to what they feel comfortable with. With an early harvest, producers may be alright just selling off the combine. However, prices could break hard if demand destruction is worse than expected. This is not a market to store corn unless it is contracted for future delivery. A December \$8.10 Put would cost 66 cents and set a \$7.44 futures floor. This option expires November 23. A September \$8.10 Put cost 33 cents and would set a \$7.77 futures floor. It does expire August 24. I would want to cover the bushels through harvest and when they are sold. In some cases, the September Put may be suitable.

Deferred: March 2013 contract closed at \$8.08 ¾ a bushel, up 21 ¼ cents a bushel since last Friday. Technical indicators have a strong buy bias. Support is at \$7.76 a bushel with resistance at \$8.17 a bushel. September 2013 corn closed at \$6.83 ¼ a bushel, up 12 ½ cents for the week. I would have 10 percent of 2013 production priced.

Cotton:

Current Crop: December closed at 73.94 cents per pound, up 2.49 cents since last week. Support is at 69.65 cents with resistance at 76.11 cents per pound. Technical indicators have changed to a buy bias. The Adjusted World Price for August 3 – August 9 is 61.38 cents per pound, down 1.64 cents. All cotton weekly export net sales were 221,800 bales (39,700 bales of upland cotton net sales for 2011/12; net sales of 169,100 bales of upland cotton for 2012/13; net sales of 5,100 bales of Pima cotton for 2011/12 and net sales of 7,900 bales of Pima for 2012/13. Exports are expected to be adjusted upward in the August 10 USDA report. Cotton equities for 2012 loan cotton have been quoted in the 15 – 15 ½ cent range. Keep in

contact with your cotton buyer for current quotes on loan equities and pricing alternatives. Cotton squaring nationwide is at 93 percent compared to 90 percent last week, 87 percent last year and the five year average of 90 percent. Cotton boll set is 59 percent nationwide compared to 47 percent last week, 57 percent last year and the five year average of 56 percent. Cotton crop condition ratings were 44 percent good to excellent compared to 47 percent last week and 30 percent last year. Poor to very poor were reported at 22 percent compared to 18 percent last week and 40 percent last year. Prices have continued to move sideways in a narrow band as it has for the last month. Next week's report may provide the news for prices to move upward out of that band as U.S. and World stocks should be reduced. At least one private estimate has put U.S. cotton yields at 811 pounds with total production at 18.3 million bales compared to USDA's July estimate of 17 million bales. Other reports expect a reduction in overall production.

Deferred: March 2013 cotton closed at 74.94 cents per pound, up 2.79 cents for the week. Support is at 70.69 cents with resistance at 77.11 cents per pound. Technical indicators have changed to a buy bias.

Soybeans:

Current Crop: The November contract closed at \$16.28 ¾ a bushel, up 27 cents a bushel since last Friday. Technical indicators have a buy bias. Support is at \$15.86 a bushel with resistance at \$16.59 a bushel. Weekly exports were below expectations at 9 million bushels (7.1 million bushels for the 2011/12 marketing year and sales of 1.9 million bushels for 2012/13). Soybeans blooming this week were reported at 88 percent compared to 79 percent last week, 72 percent last year and the five year average of 75 percent. Soybean setting pods were 55 percent this week as compared to 36 percent last week, 29 percent last year and the five year average of 35 percent. Soybean condition ratings were about expected at 29 percent good to excellent compared to 31 percent last week and 60 percent last year. Poor to very poor ratings were 37 percent compared to 35 percent last week, and 12 percent last year. Production estimates from Farm Futures for soybeans were just under 2.7 billion bushels on harvested acreage of 75.3 million acres and yields of 35.8 bushels per acre. Surveys and yields based on crop condition ratings were in agreement. This compares to the July USDA report production number of 3.05 billion bushels or 350 million bushels less. Other private estimates reported yields of 36.2 bushels per acre to 37.2 bushels per acre with production of 2.73 billion bushels to 2.8 billion bushels. Although demand has slowed, has it slowed enough or is additional price rationing needed? A record South American crop for 2013 is currently being projected and some end users may try to hold out until that crop hits the market. As in corn, a top is difficult to project and even more so in soybeans. A spread of close to \$3.50 between November 2012 and November 2013 tells us that the market is not as concerned about next year's production as it is about current production. Certainly prices could see a large price break but that could be more from outside influences such as a strengthening Dollar which could affect exports. Weather forecasts will also affect soybean prices as soybeans still have some time to improve yields if timely rains come, but could also deteriorate further if dry weather prevails. I am currently 50 percent priced overall on anticipated production; with an additional 30 percent priced in Put Options. From a price risk management standpoint, a \$16.30 November Put option would cost 96 cents and set a \$15.34 futures floor.

Deferred: January 2013 soybeans closed today at \$16.25 a bushel, up 33 ¾ cents since last week. Technical indicators have changed to a strong buy bias. Support is at \$15.83 a bushel with resistance at \$16.54 a bushel. November 2013 soybeans closed at \$12.91 ¼, up 26 ¾ cents for the week. Start watching for 2013 opportunities.

Wheat:

Nearby: September futures contract closed at \$8.91 ¼ a bushel, down 6 ¾ cents a bushel since Friday. Technical indicators have changed to a buy bias. Support is at \$8.39 a bushel with resistance at \$9.32 a bushel. Weekly exports were about expected at 19.1 million bushels (18.9 million bushels for 2012/13 and 165,000 bushels for 2013/14). Winter wheat harvest has progressed to 85 percent harvested on July 29 compared to 82 percent last week, 77 percent a year ago and the five year average of 81 percent. Some global production concerns have been seen for wheat produced in India, the Black Seas region and Australia. This adds support to the market.

Deferred: March 2013 wheat closed at \$9.05 a bushel, down 8 cents since last week. Technical indicators have a strong buy bias. Support is at \$8.63 a bushel with resistance at \$9.39 a bushel. Spring wheat acreage harvested is being reported at 28 percent compared to 12 percent last week, 1 percent last year and the five year average of 3 percent. Spring wheat condition ratings as of July 29 were 63 percent good to excellent compared to 60 percent last week and 70 percent last year. Poor to very poor were 11 percent compared to 11 percent last week and 7 percent a year ago. July 2013 wheat closed at \$8.48 ¼ a bushel, up 18 cents for the week. I would be 10 percent priced for 2013 production. Δ

CHUCK DANEHOWER: Extension Area Specialist/Farm Management, University of Tennessee



Link Directly To: **RICETEC**